

Report of the Governance Working Group to the NEIL Transit Task Force

The Governance Working Group has been tasked with considering how well our current transit system is structured to meet the needs of the region. To that end, the Working Group interviewed a wide-range of transit experts, studied numerous relevant reports, examined best practices in other regions, and reviewed feedback from the transit agencies, appointing authorities, and other stakeholders in the region.

The following is an outline of our findings and recommendations to date.

Governance and the NEIL Transit Task Force Guiding Principles:

Earlier in this process, the Task Force established principles to serve as a guide in considering options and developing recommendations to achieve a world class transit system. Several of these Guiding Principles relate directly to governance:

1. Put the customer first by offering a safe, well-maintained, coordinated, fast, convenient, and accessible system that is a viable transportation alternative.
2. Function in an ethical, efficient, and transparent manner that demonstrates professional competence and clear accountability to all of the region's residents.
3. Promote economic vitality by matching development with transit service, connecting communities, employment centers, and other destinations throughout the region.
4. Plan ambitiously and adapt to change, continually refining transit services and investments to increase ridership, relieve congestion, and provide an abundance of transportation choices.
5. Embrace innovative technology and systems in finance, communications, vehicles, infrastructure, and customer service.
6. Be adequately, predictably, equitably, and sustainably funded to provide high levels of performance and maintain a state of good repair.

Governance and the Recommendations of the Task Force to Date:

The System Performance, Finance, and Ethics Working Groups have presented their findings and initial recommendations to the Task Force. Many of these have explicit implications for the Governance Working Group, specifically:

1. Establish a new, broader mandate for the northeastern Illinois transit system. The system will improve overall regional mobility for residents and visitors, increase transit ridership, increase transportation affordability, expand access to jobs, labor markets, and other key destinations.

2. Prepare and implement a plan to improve regional mobility and increase transit ridership throughout the region.
3. Create regional performance measures that assess progress toward implementing the plan to improve regional mobility and achieving its goals.
4. Implement a regional financial planning process that supports the Guiding Principles and, in the most efficient manner possible, creates a framework for allocating operating and capital funds on a consistent and sustainable basis.
5. Develop a public outreach program that creates greater public advocacy for increased investment in transit through new funding sources.
6. Identify a new funding framework for transit operations that supports the Guiding Principles, and in the most effective manner possible, generates adequate resources to meet the investment needs of the system on a consistent and sustainable basis. Eliminate the current operating formula and allocate the existing operating funds according to a formula based on performance metrics and new operating funds through programs based on competition and performance.
7. Revise the Capital Funding Allocation to maintain a safe and reliable system while allowing for appropriate service improvements that are aligned with regional transit goals and performance measures. Stop using the historic formulas and allocate existing capital funds to meet state of good repair and through programs based on competition and performance.
8. To mitigate limited public resources for funding, eliminate barriers to entry for the private sector.
9. Establish performance-based management practices across the system, such as joint procurements, maximizing the use and deployment of existing staff, and/or consolidating certain administrative functions.

Findings Related to Governance (Note - These findings are supported by input received by the Task Force and Working Group from various sources):

1. **For the most part, power and authority for transit have been vested with the three Service Boards.**
 - When the transit system was last reorganized in 1983, the three Service Boards - CTA, Metra, and Pace - were designed to be largely autonomous, independent authorities. The Service Boards were given the sole responsibility to “determine the level, nature and kind of public transportation which should be provided for the metropolitan region.” (RTA Act)

- The 1983 reorganization left the RTA with taxing authority, budgeting oversight, and planning functions. The RTA was given the responsibility of ensuring adequate transit throughout the metropolitan region, but was given little control over the allocation of resources or capital programming to actually accomplish that task.
- Although the RTA was often referred to as the “transit oversight” agency, this was an illusion; it had few tools with which to conduct any oversight. It had the ability to disapprove the entire budgets of the Service Boards, but because of the drastic nature of this tool, it was never used.
- Although the 47 board members are appointed to the four transit boards by the same group of elected officials, the siloed structure of the system has led to competition and infighting, and is not optimized to meet the changing needs of commuters.

2. Financial and system performance problems prompted transit reform in 2008.

- An impending transit financial crisis, paired with lagging ridership, prompted legislators and stakeholders to begin a thorough study of the problems with the transit system in the mid-2000s. It was clear that any solution must include both funding and reform.
- A 2007 performance audit concluded, “The lack of strong, centralized planning, and the absence of a long-term plan that encompasses financial, programmatic, and operational aspects of the Service Boards and the RTA contributes to the problems that face mass transit in northeastern Illinois.” The report recommended that the role of the RTA be clarified and strengthened.
- In addition to providing additional funding, the intent of the 2008 legislation was to create an efficient, integrated, and accountable regional transit system from the three independent transit agencies, reforming the RTA Act by adopting the Auditor General’s recommendations to give the RTA a new role in regional planning, fiscal oversight, and fare and service coordination.
- The 2008 reform gave the RTA new responsibility and authority to shape the regional transit system through its strategic plan and capital program. The reform included:
 - A requirement that the RTA prepare a strategic plan that would set transit goals, performance measures to track progress, and criteria with which to evaluate capital projects
 - A mandate that the Service Board budgets and financial plans be consistent with the goals and objectives adopted by the RTA in the strategic plan.

3. The 2008 reform did not achieve the intended result of creating an integrated regional transit system due to a structure, history, and culture that inhibits regional collaboration.

- The RTA has not fully utilized the authority it was given in 2008. This law directed the RTA to produce a strategic plan which must include:

- Goals and objectives with respect to increasing transit ridership, coordinating transit service, expanding service to areas with sufficient demand, limiting congestion, and improving mobility
- A process and criteria with which to evaluate capital improvements
- Performance standards and measurements regarding the adequacy, efficiency, and coordination of regional transit service and the implementation of the goals and objectives in the Strategic Plan.

The *2013-2018 Regional Transit Strategic Plan* released by the RTA in 2013 does not adequately address these directives with concrete targets and implementation plans. It was not the ambitious planning document many had expected after the 2008 reform, and more closely reflected a status quo vision for northeastern Illinois transit.

- The inability of the RTA Board to utilize the major tools at its disposal is due to structural, cultural, and historical impediments that inhibit regional collaboration.
 - Board appointments correspond to the political geography of the region - board members are aligned with the City of Chicago and the CTA, or the suburbs with Metra and Pace.
 - While the mission of the RTA Board is to serve the interests of the region, its culture serves the particular interests of individual appointing authorities and their favored Service Board.
 - Adoption of the annual budget and financial plan, the capital program, the strategic plan, and other important decisions all require a supermajority vote, which means each sub-region must be represented. This provision was meant to lead to regional collaboration; however, because of the siloed nature of the transit agencies, it has led to stalemates and dormancy.
- Controversial topics that must be addressed, such as the annual distribution of small amounts of discretionary funding relative to overall agency budgets, lead to such bitter debates that important issues, which may be equally divisive, are never addressed.
- Under the current structure, it is easier for the RTA to rely on past practice and tradition, which preserves the status quo, rather than to make difficult decisions on the region's behalf.

4. Evidence from other regions highlights the link between governance structure and investment.

- Testimony from MTA Chair Tom Prendergast indicates that integrated governance is key to increased capital investment in the MTA - transit capital funding per resident in the New York region is nearly triple that of northeastern Illinois.
- Northeastern Illinois has been under-investing in transit. The lack of funding is evident from the huge state-of-good-repair backlog, the lack of system expansion, and from

occasional service cuts. Insufficient investment is also obvious when our transit system is compared to its peers.

- Other regions have been investing more in transit. Over the past ten years, the six US transit systems with the largest ridership, excluding northeastern Illinois, (Boston, Los Angeles, New York, Philadelphia, San Francisco, and Washington DC) spent, in aggregate, \$1,683 per resident on capital for transit. In contrast, northeastern Illinois spent \$1,040 per resident.
- Cohesive regional organization leads to more investment. The contrast in transit investment is even more appreciable when comparison is limited to the consolidated systems or those with strong regional oversight (Boston, New York, Philadelphia, San Francisco, and Washington DC). Over the past ten years, these systems spent, in aggregate, \$2,050 per resident on capital for transit. Had northeastern Illinois invested at the same rate as its better organized peers, it would have provided an additional \$870 million *each year* for transit.
- While the state has invested nearly \$2 billion in RTA and Service Boards over the last ten years, new revenues for transit will only come with reform. Northeastern Illinois desperately needs a consistent, stable source of capital for transit. But the system is not currently organized in a way that gives the state or the region confidence that transit is a wise investment. The first step to better funding is optimization of the transit system that will spend it.
- Increased capital spending can lead to increased ridership. Capital investment allows system expansion, increased service, and better connections. Since 1991, transit ridership has grown by 61% in New York, 27% in Boston, and 25% in Washington DC, while northeastern Illinois has grown only 2%.

Structural Options for Consideration:

The most significant challenge the Governance Working Group faced was discerning whether the transit system is organized in the most efficient and effective manner. There is widespread belief that it is not. This perspective is reinforced by the recommendations of other Task Force working groups, an analysis of regional transit data, and conversations with transit experts.

It is important to note that any governance model could include an unlimited spectrum of options or components to be implemented in a final structure. The Working Group analyzed multiple alternatives over several months, including specific proposals submitted by stakeholders. Through a deliberative process, the Working Group advanced two governance structures for additional consideration by the full Task Force that reflect specific visions for the future of northeastern Illinois transit:

1. **State Agency Model: Eliminate the RTA and give strengthened transit oversight powers to a unit within the Illinois Department of Transportation (IDOT).** In this model, the RTA would be eliminated. A new unit would be created within IDOT that would be responsible for coordinating the regional transit system. This office would have the statutory authority to coordinate regional plans between planning entities and the transit agencies, oversee transit finance and the implementation of major capital projects, and coordinate Service Board activities. Operating funding would be allocated according to a formula that would incorporate performance measures and would be set by the legislature.

This model has the potential to increase coordination, better connect development and transit, and promote mobility to increase transit ridership. It could slightly increase funding for the Service Boards through elimination of the RTA; however, IDOT would require additional staff and resources to administer regional transit.

To promote the successful implementation of this model, IDOT would require adequate authority to implement a regional financial planning process and other system-wide transit policies. The Finance Working Group recommended both competitive and performance-based programs to supplement formula funding for operations and capital. It could be controversial for such funds to be at the discretion of a single office at IDOT.

2. **Integrated Model: Unify the transit system by consolidating all transit into one regional agency.** In this model, transit governance is consolidated into a single integrated agency with one board and (initially) three operating arms. The board would be responsible for setting policy and strategic direction, determining funding allocations, and prioritizing investments for the regional transit system. The operating arms would be responsible for the day-to-day operations of transit service.

This model has potential to increase coordination and better connect development and transit, and would increase accountability by making a single board responsible for the transit system. It has significant potential to plan and adapt to change, as it would have the authority and flexibility to implement region-wide plans, allocate funding, and prioritize projects. Unifying transit agency governance would lead to cost savings, and evidence suggests that a consolidated system could attract more capital funding than the existing system.

A unified system could more effectively advocate for increased investment for transit than four transit agencies individually. This model has adequate potential to move beyond the cultural and historical differences that have limited RTA's effectiveness. Delcan's 2013 report to RTA suggests that an integrated governance structure offers "the best potential to achieve regional objectives given its ability to help focus strategic direction and financial management." While this model transforms the governance structure, it would be built upon the existing agencies and it assumes that the unified board will be strong enough to move beyond any cultural and historical differences to implement the Task Force recommendations.

Additional Recommendations for Consideration:

1. **Increase state representation on transit boards.** The state contributes a significant portion of transit operating and capital funding to the NEIL transit system. It has both a financial and an economic interest in that system's success. The Governor should have greater representation through an increased number of appointments in the transit governance structure.
2. **Set minimum qualifications for board members.** NEIL transit boards should include members with proven leadership qualities and relevant professional experience in transportation, construction and engineering, finance, law, information technology, or other related fields.